

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Huron

**Financial Report
with Supplemental Information
December 31, 2006**

Charter Township of Huron

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	17-18
Fiduciary Funds - Statement of Fiduciary Net Assets	19
Component Units:	
Statement of Net Assets	20
Statement of Activities	21
Notes to Financial Statements	22-44
Required Supplemental Information	45-46
Budgetary Comparison Schedule - General Fund	47-48
Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund	49
Budgetary Comparison Schedule - Major Special Revenue Fund - Police Fund	50

Charter Township of Huron

Contents (Continued)

Other Supplemental Information	51
Nonmajor Governmental Funds:	
Combining Balance Sheet	52-53
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	54-55



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Independent Auditor's Report

To the Township Board
Charter Township of Huron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Huron, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Huron, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moreau, PLLC

April 16, 2007

Charter Township of Huron

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Huron's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Generally, amounts used in this discussion are approximations or rounded figures. The amounts in the basic financial statements and related notes are rounded to the nearest dollar. Please read this discussion in conjunction with the Township's basic financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2006:

Two major capital improvements that began in 2005 were completed in 2006:

- The lease and renovation of a building for the police department
- The construction of a new township hall

The final cost of these two projects totaling \$2,464,500 was paid without incurring any new debt. The \$750,870 in renovations for the police station included a modern dispatch center and secure prisoner processing and holding facilities. The Township Hall construction, completed for \$1,713,630, included a large public meetings room with adequate parking.

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements, including the statement of net assets and the statement of activities, provide information about the activities of the Charter Township of Huron as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current assets	\$ 9,652,792	\$ 9,051,671	\$ 3,580,430	\$ 3,629,846	\$ 13,233,222	\$ 12,681,517
Noncurrent assets	4,319,046	5,688,224	35,498,771	35,538,459	39,817,817	41,226,683
Total assets	13,971,838	14,739,895	39,079,201	39,168,305	53,051,039	53,908,200
Liabilities						
Current liabilities	4,502,147	4,925,673	617,237	659,782	5,119,384	5,585,455
Long-term liabilities	1,154,780	1,091,733	5,743,445	5,361,458	6,898,225	6,453,191
Total liabilities	5,656,927	6,017,406	6,360,682	6,021,240	12,017,609	12,038,646
Net Assets						
Invested in capital assets -						
Net of related debt	3,223,811	4,664,850	25,888,270	25,988,648	29,112,081	30,653,498
Restricted	2,346,648	2,519,398	5,554,528	5,804,114	7,901,176	8,323,512
Unrestricted	2,744,452	1,538,241	1,275,721	1,354,303	4,020,173	2,892,544
Total net assets	\$ 8,314,911	\$ 8,722,489	\$ 32,718,519	\$ 33,147,065	\$ 41,033,430	\$ 41,869,554

The following table shows the changes of the net assets during the current and prior year:

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenue						
Program revenue:						
Charges for services	\$ 2,186,862	\$ 2,120,306	\$ 3,310,330	\$ 3,043,168	\$ 5,497,192	\$ 5,163,474
Operating grants and contributions	446,250	322,374	-	-	446,250	322,374
Capital grants and contributions	250,000	-	793,350	43,175	1,043,350	43,175
General revenue:						
Property taxes	3,162,630	3,548,112	202,633	73	3,365,263	3,548,185
State-shared revenue	1,061,914	1,042,382	-	-	1,061,914	1,042,382
Unrestricted investment earnings	242,524	373,770	195,210	294,394	437,734	668,164
Franchise fees	109,551	119,935	-	-	109,551	119,935
Transfers and other revenue	293,696	93,148	(213,308)	(14,123)	80,388	79,025
Total revenue	7,753,427	7,620,027	4,288,215	3,366,687	12,041,642	10,986,714

Charter Township of Huron

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Program Expenses						
General government	\$ 1,629,794	\$ 1,529,017	\$ -	\$ -	\$ 1,629,794	\$ 1,529,017
Public safety	4,715,168	4,685,403	-	-	4,715,168	4,685,403
Public works	658,076	746,798	-	-	658,076	746,798
Community and economic development	130,110	162,988	-	-	130,110	162,988
Culture and recreation	28,145	33,606	-	-	28,145	33,606
Interest on long-term debt	58,841	54,637	-	-	58,841	54,637
Water and sewer	-	-	3,236,511	2,938,141	3,236,511	2,938,141
Total expenses	7,220,134	7,212,449	3,236,511	2,938,141	10,456,645	10,150,590
Change in Net Assets	\$ 533,293	\$ 407,578	\$ 1,051,704	\$ 428,546	\$ 1,584,997	\$ 836,124

The Township's total governmental revenues remained fairly consistent and decreased by approximately \$133,000, or 2 percent. Building licenses and permits have continued to decrease the last two years. The 2006 building licenses and permits were only half of the 2005 receipts, dropping from approximately \$600,000 to approximately \$300,000. Steps have already been taken to reduce costs accordingly. Investment earnings, up from last year, have helped to keep the overall decrease in revenue to only 2 percent.

Expenditures decreased by approximately \$7,700, or less than 1 percent during the year. There was a 9 percent increase in expenditures from 2004 to 2005 largely related to the rental and renovations for temporary office facilities and the start-up costs for the new Township Hall and police station. They both were completed in 2006.

Business-type Activities

Huron Township's business-type activities consist of providing water and sewer service. We provide water to residents from the Detroit Water System. Sewage treatment is provided through the South Huron Valley Utility Authority sewage treatment plant.

Development in the Township can explain the decrease in the change in net assets from 2005 to 2006. Water and sewer lines donated by developers in 2005 from two projects amounted to \$793,000, but only \$43,000 for one smaller project in 2006. The slump in building and construction has caused a decrease in revenues and expenses for water and sewer taps. Fees for new taps in 2006 dropped by approximately 40 percent down from approximately \$700,000 to approximately \$425,000.

Approximately \$200,000 in property taxes collected annually in 2005 and previously for old sewer bonds due to Wayne County will no longer be levied. The bonds will be paid off in April 2007. The remaining bonds for sewers, due to the South Huron Valley Utility Authority, will be paid from user charges collected on consumers' water bills.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The Township's Funds

The Township's major funds for 2006 are the General, Fire, Police, and Capital Improvement Funds. The funds' financial statements provide detail information about the most significant funds, not the Township as a whole. The funds help manage money for specific purposes and show accountability for certain activities, such as special property tax millages.

The General Fund provides for most of the Township's governmental services including the administrative offices of the supervisor, clerk, and treasurer. Senior and recreation programs are also included. Administrative operations, including facilities management, amounted to approximately \$1,300,000 for 2006. Public safety expenditures included in the General Fund include building code enforcement and police and fire dispatch services. These expenditures totaled approximately \$454,000 and \$362,000, respectively.

The Fire Fund records the operations of the fire department. Revenues included approximately \$893,000 of property taxes and \$293,000 in rescue services, fire run charges, grants, and other. Expenditures and transfers totaled \$1,203,350. The excess of expenditures over revenue of \$17,753 was covered by the Fire Fund's beginning fund balance.

The Police Fund records the operations of the police department. Revenues included approximately \$2,062,000 of property taxes, \$96,000 in federal and state grants, \$316,000 from community programs and other, and \$267,000 of court fines and fees for a total of \$2,741,000. Expenditures and transfers totaled approximately \$2,794,000. A General Fund contribution of \$156,090 covered the excess of expenditures over revenue, eliminated the \$73,050 deficit from the beginning of the year, and left the Police Fund with almost a \$30,000 surplus.

Both the Police and Fire Funds are partially supported by special millages. In 2006, the fire millage was sufficient, along with other program income and transfers from other funds, to sustain the fire department. The Police Fund ended the year with a surplus due to the support from the General Fund. A 9.5 percent increase in taxable value next year will generate almost an additional \$200,000 for the Police Fund in property tax revenue and another \$170,000 due to a millage renewal that went from 1.6678 mills to 2 mills.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The majority of the General Fund departments stayed below budget, resulting in total expenditures \$336,030 below budget.

The most significant change was the approximately \$243,000 decrease in building licenses and permits revenue, 43 percent less than last year. Expenditures for the Building Department were subsequently reduced by approximately \$146,000. The actual net loss for the department was \$127,577, which reduced the Construction Code fees surplus to \$364,636. Management will continue to closely monitor this situation as economic conditions change.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

Notable also was the increase in transfers to other funds of approximately \$200,000 from the General Fund. The primary recipient was the Police Fund for \$156,090. Actual transfers for the year, however, were approximately \$80,000 under budget. This was primarily due to the voluntary contribution made to the Retirees' Benefits Fund, which was only \$50,000, half the amount originally planned.

The end result was that actual revenues fell short of expenses for the year by less than \$2,000, decreasing the General Fund's fund balance from \$1,868,200 to \$1,866,900 at December 31, 2006.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$37,422,569 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. The water and sewer assets account for approximately 85 percent of the capital assets, with only 15 percent invested in governmental assets. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because they are the property of the Wayne County Road Commission, which also has the responsibility to maintain them.

The Township's debt obligations at the end of 2006 are approximately \$7,262,000. Of that amount, approximately \$5,746,000 is related to the water and sewer system for improvements made in past years. Debt related to the purchase of fire department equipment totals \$818,051. Accrued compensated absences total \$492,557. The remaining balance is primarily from road improvements and the purchase of police equipment.

Economic Factors and Next Year's Budgets and Rates

The 2006 fiscal year ended with a fund balance of \$4.2 million in total for the government funds: \$1.7 million for public safety, \$1.2 million for reserves and nonmajor funds, and a reasonably comfortable undesignated General Fund surplus of \$1.3 million. However, economic factors are threatening and next year's budget will warrant close monitoring. The Township is already implementing plans to reduce costs and seek out new revenues.

The building department will undergo some restructuring. With the down-turn in development for the area, options to reassign staff to keep department costs down and carefully utilize the construction code activities reserve of \$364,600 will be considered.

The Police Fund deficit of \$73,000 at the beginning of 2006 was eliminated with General Fund contributions to end the year with a \$30,000 surplus. The Police Department will continue with next year's budget to implement the costsavings plans implemented in 2006 such as limiting capital spending, eliminating overtime, and putting a hold on the replacement of officers retiring in the new year. Additional revenue anticipated from the police millage renewal will be carefully utilized.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

We anticipate that the water rates will increase in 2007. The process of evaluating the existing rates and expected costs of maintaining and operating the water and sewer system is underway and being reviewed by the Township board. The results of this evaluation will be presented to the public in mid-2007.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Huron

Statement of Net Assets December 31, 2006

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 4,815,501	\$ 2,752,039	\$ 7,567,540	\$ 734,492
Receivables - Net (Note 5)	3,877,067	523,014	4,400,081	-
Prepaid costs and other assets	112,485	231,214	343,699	-
Due from primary government	-	-	-	33,962
Inventories	-	106,131	106,131	-
Internal balances	(17,448)	17,448	-	-
Due from other governmental units	264,066	-	264,066	29,744
Restricted assets (Note 1)	-	3,804,114	3,804,114	-
Capital assets - Net (Note 6):				
Depreciated	4,474,572	31,734,345	36,208,917	692,160
Nondepreciated	1,213,652	-	1,213,652	632,281
Total assets	14,739,895	39,168,305	53,908,200	2,122,639
Liabilities				
Accounts payable	191,521	113,484	305,005	144,000
Accrued and other liabilities	183,307	94,263	277,570	-
Due to component units	33,962	-	33,962	-
Compensated absences (Note 7):				
Due within one year	267,599	42,712	310,311	-
Due in more than one year	157,162	25,084	182,246	-
Long-term debt (Note 7):				
Due within one year	88,803	409,323	498,126	111,822
Due in more than one year	934,571	5,336,374	6,270,945	236,190
Deferred revenue (Note 5)	4,160,481	-	4,160,481	-
Total liabilities	6,017,406	6,021,240	12,038,646	492,012
Net Assets				
Invested in capital assets - Net of related debt	4,664,850	25,988,648	30,653,498	976,429
Restricted:				
Construction code activities (Note 2)	364,636	-	364,636	-
Solid waste	156,446	-	156,446	-
Public safety	1,687,261	-	1,687,261	-
Drug law enforcement	55,463	-	55,463	-
Road improvement	255,592	-	255,592	-
Debt service	-	897,268	897,268	-
Replacement reserve	-	2,906,846	2,906,846	-
Working capital reserve	-	2,000,000	2,000,000	-
Unrestricted	1,538,241	1,354,303	2,892,544	654,198
Total net assets	<u>\$ 8,722,489</u>	<u>\$ 33,147,065</u>	<u>\$ 41,869,554</u>	<u>\$ 1,630,627</u>

Charter Township of Huron

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
			Capital Grants and Contributions
Primary government:			
General government	\$ 1,529,017	\$ 833,498	136,087
Public safety	4,685,403	927,364	186,287
Public works	746,798	340,000	-
Community and economic development	162,988	-	-
Cultural and recreation	33,606	19,444	-
Interest on long-term debt	54,637	-	-
Total governmental activities	7,212,449	2,120,306	322,374
Business-type activities - Water and sewer	2,938,141	3,043,168	-
Total primary government	<u>\$ 10,150,590</u>	<u>\$ 5,163,474</u>	<u>\$ 322,374</u>
Component units	<u>\$ 115,485</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues (expenses):			
Property taxes			
State-shared revenues			
Interest			
Cable franchise fees			
Miscellaneous			
Loss on disposal of capital assets			
Total general revenues (expenses)			
Transfers			
Total general revenues (expenditures) and transfers			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (559,432)	\$ -	\$ (559,432)	\$ -
(3,571,752)	-	(3,571,752)	-
(406,798)	-	(406,798)	-
(162,988)	-	(162,988)	-
(14,162)	-	(14,162)	-
(54,637)	-	(54,637)	-
(4,769,769)	-	(4,769,769)	-
-	148,202	148,202	-
(4,769,769)	148,202	(4,621,567)	-
-	-	-	(115,485)
3,548,112	73	3,548,185	249,019
1,042,382	-	1,042,382	-
373,770	294,394	668,164	96,843
119,935	-	119,935	-
79,025	-	79,025	-
-	-	-	(52,399)
5,163,224	294,467	5,457,691	293,463
14,123	(14,123)	-	-
5,177,347	280,344	5,457,691	293,463
407,578	428,546	836,124	177,978
8,314,911	32,718,519	41,033,430	1,452,649
\$ 8,722,489	\$ 33,147,065	\$ 41,869,554	\$ 1,630,627

Charter Township of Huron

Governmental Funds Balance Sheet December 31, 2006

	General Fund	Fire Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 1,939,944	\$ 1,763,780	\$ 284,958	\$ 11,786	\$ 815,033	\$ 4,815,501
Receivables - Net (Note 5)	573,931	942,895	2,084,550	-	275,691	3,877,067
Prepaid costs and other assets	41,909	17,993	52,583	-	-	112,485
Due from other funds (Note 4)	51,707	17,427	176,348	-	50,464	295,946
Due from other governmental units	213,617	307	50,142	-	-	264,066
Total assets	<u>\$ 2,821,108</u>	<u>\$ 2,742,402</u>	<u>\$ 2,648,581</u>	<u>\$ 11,786</u>	<u>\$ 1,141,188</u>	<u>\$ 9,365,065</u>
Liabilities						
Accounts payable	\$ 98,680	\$ 22,286	\$ 11,056	\$ 9,811	\$ 49,688	\$ 191,521
Accrued and other liabilities	52,032	45,239	86,036	-	-	183,307
Due to other funds (Note 4)	148,087	-	-	-	165,307	313,394
Due to component units	3,736	8,830	21,396	-	-	33,962
Deferred revenue (Note 5)	651,602	1,008,469	2,500,410	-	260,694	4,421,175
Total liabilities	954,137	1,084,824	2,618,898	9,811	475,689	5,143,359
Fund Balances						
Reserved for:						
Construction Code activities (Note 2)	364,636	-	-	-	-	364,636
Solid waste	156,446	-	-	-	-	156,446
Prepaid costs	41,909	17,993	52,583	-	-	112,485
Unreserved:						
Designated for subsequent year's budget, reported in Special Revenue Funds	-	300,000	-	-	438,620	738,620
Undesignated, reported in:						
Special Revenue Funds	-	1,339,585	(22,900)	-	226,879	1,543,564
Capital Projects Fund	-	-	-	1,975	-	1,975
General Fund	1,303,980	-	-	-	-	1,303,980
Total fund balances	<u>1,866,971</u>	<u>1,657,578</u>	<u>29,683</u>	<u>1,975</u>	<u>665,499</u>	<u>4,221,706</u>
Total liabilities and fund balances	<u>\$ 2,821,108</u>	<u>\$ 2,742,402</u>	<u>\$ 2,648,581</u>	<u>\$ 11,786</u>	<u>\$ 1,141,188</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,688,224
Deferred revenue is reported in the funds for special assessment receivables to be collected over several years	260,694
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,448,135)
Net assets of governmental activities	<u>\$ 8,722,489</u>

Charter Township of Huron

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

	General Fund	Fire Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 598,371	\$ 892,674	\$ 2,062,425	\$ -	\$ -	\$ 3,553,470
Licenses and permits	452,034	-	-	-	-	452,034
Federal sources	99,509	13,775	-	-	-	113,284
State sources	1,078,960	-	96,325	-	-	1,175,285
Local sources	-	-	-	-	52,933	52,933
Charges for services	870,300	175,726	180,813	-	-	1,226,839
Fines and forfeitures	-	-	-	-	23,850	23,850
Court fines and fees	-	-	267,089	-	-	267,089
Interest and other	<u>301,944</u>	<u>103,422</u>	<u>36,695</u>	<u>250,796</u>	<u>70,990</u>	<u>763,847</u>
Total revenues	3,401,118	1,185,597	2,643,347	250,796	147,773	7,628,631
Expenditures						
General government	1,242,231	-	-	-	-	1,242,231
Public safety	920,825	925,643	2,705,685	-	-	4,552,153
Public works	709,932	-	-	-	-	709,932
Health and welfare	150,503	-	-	-	-	150,503
Recreation and cultural	50,326	-	-	-	-	50,326
Insurance and bonds	47,036	-	-	-	-	47,036
Planning, development, and other	70,757	-	-	-	-	70,757
Capital outlay	20,824	154,722	58,064	1,352,455	22,512	1,608,577
Retiree health care costs	-	-	-	-	89,469	89,469
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,313</u>	<u>159,313</u>
Total expenditures	<u>3,212,434</u>	<u>1,080,365</u>	<u>2,763,749</u>	<u>1,352,455</u>	<u>271,294</u>	<u>8,680,297</u>
Excess of Revenues Over (Under) Expenditures	188,684	105,232	(120,402)	(1,101,659)	(123,521)	(1,051,666)
Other Financing Sources (Uses)						
Transfers in (Note 4)	72,933	-	221,208	23,767	231,060	548,968
Transfers out (Note 4)	(262,922)	(122,985)	(30,887)	-	(118,051)	(534,845)
Proceeds from long-term debt issue	<u>-</u>	<u>-</u>	<u>32,814</u>	<u>-</u>	<u>-</u>	<u>32,814</u>
Total other financing sources (uses)	<u>(189,989)</u>	<u>(122,985)</u>	<u>223,135</u>	<u>23,767</u>	<u>113,009</u>	<u>46,937</u>
Net Change in Fund Balances	(1,305)	(17,753)	102,733	(1,077,892)	(10,512)	(1,004,729)
Fund Balances (Deficit) - Beginning of year	<u>1,868,276</u>	<u>1,675,331</u>	<u>(73,050)</u>	<u>1,079,867</u>	<u>676,011</u>	<u>5,226,435</u>
Fund Balances - End of year	<u>\$ 1,866,971</u>	<u>\$ 1,657,578</u>	<u>\$ 29,683</u>	<u>\$ 1,975</u>	<u>\$ 665,499</u>	<u>\$ 4,221,706</u>

Charter Township of Huron

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (1,004,729)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,369,816

Loss on disposal of capital assets that were not fully depreciated (638)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (22,727)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 104,675

Proceeds from issuance of long-term debt are not reported as financing sources on the statement of activities (32,814)

Increases in accumulated employee sick and vacation pay are recorded when earned in the statement of activities (6,005)

Change in Net Assets of Governmental Activities \$ 407,578

Charter Township of Huron

Proprietary Funds Statement of Net Assets December 31, 2006

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 2,752,039
Receivables - Net (Note 5)	523,014
Due from other funds (Note 4)	17,448
Inventories	106,131
Prepaid costs and other assets	231,214
Total current assets	3,629,846
Noncurrent assets:	
Restricted assets	3,804,114
Capital assets	31,734,345
Total noncurrent assets	35,538,459
Total assets	39,168,305
Liabilities	
Current liabilities:	
Accounts payable	113,484
Accrued and other liabilities	94,263
Current portion of long-term debt:	
Debt	409,323
Compensated absences	42,712
Total current liabilities	659,782
Long-term debt - Net of current portion:	
Debt	5,336,374
Compensated absences	25,084
Total noncurrent liabilities	5,361,458
Total liabilities	6,021,240
Net Assets	
Investment in capital assets - Net of related debt	25,988,648
Restricted:	
Debt service	897,268
Replacement reserve	2,906,846
Working capital reserve	2,000,000
Unrestricted	1,354,303
Total net assets	<u><u>\$ 33,147,065</u></u>

Charter Township of Huron

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended December 31, 2006

	Enterprise Fund - Water and Sewer
Operating Revenues	
Water sales	\$ 1,682,453
Sewage disposal	1,004,649
Connection fees	138,031
Penalties	52,587
Other	27,768
Total operating revenues	2,905,488
Operating Expenses	
Cost of water	713,129
Cost of sewage disposal	502,644
Operation and maintenance	609,024
General and administrative	377,764
Depreciation	603,445
Total operating expenses	2,806,006
Operating Income	99,482
Nonoperating Revenue (Expense)	
Property taxes	73
Interest income	294,394
Interest expense	(132,135)
Water reserve revenue	50,200
Sewer reserve revenue	87,480
Total nonoperating revenue	300,012
Net Income - Before other financing uses and capital contributions	399,494
Other Financing Uses - Operating transfers out	(14,123)
Capital Contributions	43,175
Change in Net Assets	428,546
Net Assets - Beginning of year	32,718,519
Net Assets - End of year	\$ 33,147,065

Charter Township of Huron

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2006

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,056,315
Payments to suppliers	(1,594,837)
Payments to employees	(654,026)
Internal activity - Payments to/from other funds	(14,997)
Net cash provided by operating activities	792,455
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(350,372)
Water and sewer debt reserve collections	137,680
Property tax collections	(14,768)
Principal and interest payments on long-term debt	(442,411)
Net cash used in noncapital financing activities	(669,871)
Cash Flows from Noncapital and Related Financing Activities -	
Transfer to other funds	(14,123)
Cash Flows from Investing Activities - Interest on cash and investments	294,394
Net Increase in Cash and Cash Equivalents	402,855
Cash and Cash Equivalents - Beginning of year	6,153,298
Cash and Cash Equivalents - End of year	\$ 6,556,153
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 2,752,039
Restricted assets	3,804,114
Total	\$ 6,556,153

Charter Township of Huron

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2006

Cash Flows from Operating Activities

Operating income	\$	99,482
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation		603,445
Changes in assets and liabilities:		
Receivables		165,668
Inventories		(14,052)
Prepays and other assets		(17,925)
Due from other funds		(14,997)
Accounts payable		5,589
Accrued and other liabilities		(34,755)
Net cash provided by operating activities	\$	<u>792,455</u>

Noncash Investing, Capital, and Financing Activities - During the current year, developers contributed \$43,175 of water and sewer lines to the Township.

Charter Township of Huron

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2006

	Agency Funds		
	Current Tax	Trust and Agency	Total
Assets - Cash and cash equivalents	<u>\$ 635,450</u>	<u>\$ 561,689</u>	<u>\$ 1,197,139</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 537,633	\$ 537,633
Tax collections distributable	16,951	15,329	32,280
Due to other governmental units	<u>618,499</u>	<u>8,727</u>	<u>627,226</u>
Total liabilities	<u>\$ 635,450</u>	<u>\$ 561,689</u>	<u>\$ 1,197,139</u>

Charter Township of Huron

Component Units Statement of Net Assets December 31, 2006

	Local Development Finance Authority	Local Development Finance Authority - Pinnacle	Total
Assets			
Cash and investments (Note 3)	\$ 734,492	\$ -	\$ 734,492
Due from primary government	33,962	-	33,962
Due from other governmental units	29,744	-	29,744
Due from LDFA - Pinnacle	26,596	-	26,596
Capital assets	<u>1,324,441</u>	<u>-</u>	<u>1,324,441</u>
Total assets	2,149,235	-	2,149,235
Liabilities			
Accounts payable	144,000	-	144,000
Due to LDFA	-	26,596	26,596
Long-term debt	<u>348,012</u>	<u>-</u>	<u>348,012</u>
Total liabilities	<u>492,012</u>	<u>26,596</u>	<u>518,608</u>
Net Assets			
Invested in capital assets - Net of related debt	976,429	-	976,429
Unrestricted	<u>680,794</u>	<u>(26,596)</u>	<u>654,198</u>
Net Assets - Unrestricted	<u><u>\$ 1,657,223</u></u>	<u><u>\$ (26,596)</u></u>	<u><u>\$ 1,630,627</u></u>

Charter Township of Huron

Component Units Statement of Activities Year Ended December 31, 2006

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Local Development Finance Authority - Pinnacle	Development Finance Authority - Pinnacle	Total
	Expenses	Operating Grants/ Contributions			
Local Development Finance Authority - Operations	\$ 115,485	\$ -	\$ (115,485)	\$ -	\$ (115,485)
Local Development Finance Authority - Pinnacle - Operations	-	-	-	-	-
Total governmental activities	<u>\$ 115,485</u>	<u>\$ -</u>	(115,485)	-	(115,485)
General revenues (expenses):					
Property taxes			249,019	-	249,019
Interest and other			96,843	-	96,843
Loss on disposal of capital assets			(52,399)	-	(52,399)
Total general revenues			293,463	-	293,463
Change in Net Assets			177,978	-	177,978
Net Assets (Deficit) - Beginning of year			1,479,245	(26,596)	1,452,649
Net Assets (Deficit) - End of year			<u>\$ 1,657,223</u>	<u>\$ (26,596)</u>	<u>\$ 1,630,627</u>

Charter Township of Huron

**Notes to Financial Statements
December 31, 2006**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Huron (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Huron:

Reporting Entity

The Charter Township of Huron is governed by an elected seven-member board of trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Charter Township (see discussion below for description). Separate financial statements are not issued.

Discretely Presented Component Units

The Local Development Finance Authority (LDFA) and the Local Development Finance Authority - Pinnacle (LDFA - Pinnacle) component units are reported within the component unit column in the financial statements.

The authorities were created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Charter Township so as to provide needed services and facilities of such enterprises to the residents of the Charter Township.

The LDFA's governing body consists of 11 individuals. The school district board appoints two members. The Wayne County Community College board and the County of Wayne each appoint one member, and the Charter Township board appoints seven members. The LDFA - Pinnacle's governing body consists of 11 individuals. The Charter Township board appoints seven members. The Wayne County Community College board and the Wayne County board of commissioners each appoint one member, and the school district board appoints two members.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the Fire Department.

Police Fund - The Police Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the Police Department.

Capital Improvement Fund - The Capital Improvement Fund is used by the Charter Township to record the activity of various Charter Township improvement projects, including the new police station and the new Charter Township administrative building.

The Charter Township reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the government reports the following fund types:

Agency Funds - Agency Funds are used to account for assets held by the Charter Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to apply private sector standards issued after December 1, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2005 taxable valuation of the Township totaled \$468.6 million (a portion of which is abated and a portion of which is captured by the LDFA), on which taxes levied consisted of 0.7781 mills for operating purposes, 4.5396 mills for police protection, and 1.9649 mills for fire protection. After LDFA capture, this resulted in approximately \$354,000 for operations, \$893,000 for fire operations, and \$2,064,000 for police operations. The Township also received approximately \$195,000 in property tax administration fees. These amounts are recognized in the respective General, Police, and Fire Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories in the Enterprise Fund are valued at cost, on a first-in, first-out basis, which approximates market value. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets - In 1979, the Charter Township board adopted an ordinance that provides for a water and sewer reserve account that is funded by water and sewer tap fees.

These fees are reserved for major system repairs, extensions, or expansions of the system, matching monies for grants and debt retirement after a reserve of \$500,000 is established.

Restricted assets at December 31, 2006 consist of cash and investments in the amount of \$2,906,846 for future repairs, expansions, and extensions. Net assets have been restricted for the entire amount.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition, \$897,268 of cash and investments are included in restricted assets to be used for the debt service related to the South Huron Valley Utility Authority bonds and the Wayne County contracts. Net assets have been restricted for the entire amount.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Utility system:	
Water and sewage distribution systems	60-80 years
Connections	60-80 years
Machinery and equipment	10 years
Office furnishings	5-10 years
Vehicles	5-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year's activity, as well as the cumulative surplus since January 1, 2000, is as follows:

Surplus at January 1, 2006		\$	492,213
Building permit revenue			358,721
Related expenses:			
Direct costs	\$	400,008	
Estimated indirect costs		<u>86,290</u>	<u>486,298</u>
Net current year activity			<u>(127,577)</u>
Surplus at December 31, 2006		\$	<u><u>364,636</u></u>

Deficit Elimination Plan

The Road Improvement Special Revenue Fund has a deficit of \$5,102. The deficit results from road construction that is being financed by special assessments. Future special assessments revenue will eliminate the deficit.

The LDFA - Pinnacle Fund (component unit) has a deficit of \$26,596 at December 31, 2006. As the LDFA - Pinnacle Fund captures taxes in the future, those proceeds will be used to eliminate the deficit.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments

Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Charter Township has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, repurchase agreements, bankers' acceptance of United States banks, commercial paper rated within the three highest classifications established by not less than two standard rating services and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Charter Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

The Charter Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township's policy for custodial credit risk includes provisions that require financial dealers and institutions to provide the Charter Township with audited financial statements, a certification that they have read the Charter Township's investment policy, and proof of licensure. The policy further states that the treasurer is required to perform an annual review of the financial condition and registrations of all institutions used as a depository for Charter Township funds. At year end, the Charter Township had \$5,594,095 of bank deposits (certificates of deposit, investment, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$631,352 of bank deposits that were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. agency securities	\$ 4,117,184	415 days
Commercial paper	2,238,528	36 days

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top three ratings issued by nationally recognized statistical rating organizations. The Charter Township's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government), which are all composed of commercial paper, are as follows:

<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
\$ 497,518	AI	S&P
1,741,010	AI +	S&P

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds	\$ 51,707
Special Revenue Funds:		
Fire Fund	General Fund	17,427
Police Fund	General Fund	62,748
Police Fund	Other nonmajor governmental funds	113,600
Other nonmajor governmental funds	General Fund	<u>50,464</u>
	Total Special Revenue Funds	<u>244,239</u>
	Subtotal interfund receivables of governmental funds and activities	295,946
Enterprise Fund - Water and Sewer	General Fund	<u>17,448</u>
	Total interfund receivables	<u>\$ 313,394</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

The composition of operating transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund (2) \$ 156,090	
	Capital Improvement Fund (3) 23,767	
	Other nonmajor governmental funds:	
	Debt Service Fund (5) 6,201	
	Retirement Health Care Fund (4) 76,864	
	Total General Fund	262,922
Fire Fund	General Fund (1) 20,000	
	Other nonmajor governmental funds (5) 102,985	
	Total Fire Fund	122,985
Police Fund	Other nonmajor governmental funds (5) 30,887	
Other nonmajor governmental funds:		
911 Service Fund	General Fund (1) 52,933	
Retirement Health Care Fund	Police Fund (2) 65,118	
Enterprise - Water and Sewer Fund	Retirement Health Care Fund (4) 14,123	
	Total operating transfers	\$ 548,968

- (1) Transfer for general operations
- (2) Transfer for police operation expenditures
- (3) Transfer for construction improvements
- (4) Transfer for future retirement health care costs
- (5) Transfer for retirement of long-term debt

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 5 - Receivables and Deferred Revenue

Receivables as of year end for the Charter Township's individual major funds and the Road Improvement nonmajor fund are as follows:

	Governmental Activities/Funds					Business-type Activities	
	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Subtotal	Enterprise Fund	Total
Receivables:							
Taxes	\$ 573,931	\$ 842,771	\$ 2,068,917	\$ -	\$ 3,485,619	\$ 14,814	\$ 3,500,433
Customer	-	100,124	-	-	100,124	489,346	589,470
Special assessments	-	-	-	275,691	275,691	-	275,691
Other	-	-	15,633	-	15,633	18,854	34,487
Net receivables	<u>\$ 573,931</u>	<u>\$ 942,895</u>	<u>\$ 2,084,550</u>	<u>\$ 275,691</u>	<u>\$ 3,877,067</u>	<u>\$ 523,014</u>	<u>\$ 4,400,081</u>

The Charter Township considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue on the fund-based statements are as follows:

	Unavailable	Unearned	Total
Property taxes for 2007	\$ -	\$ 4,143,495	\$ 4,143,495
Special assessments	<u>260,694</u>	<u>16,986</u>	<u>277,680</u>
Total	<u>\$ 260,694</u>	<u>\$ 4,160,481</u>	<u>\$ 4,421,175</u>

In addition, the government-wide statements reflect deferred revenue for any amounts which are not earned as of the end of the fiscal year.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 6 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance January 1, 2006	Reclasses	Additions	Disposals and Adjustments	Balance December 31, 2006
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,183,517	\$ -	\$ 30,135	\$ -	\$ 1,213,652
Construction in progress	1,138,966	(1,138,966)	-	-	-
Subtotal	2,322,483	(1,138,966)	30,135	-	1,213,652
Capital assets being depreciated:					
Buildings and improvements	798,694	1,138,966	1,365,869	-	3,303,529
Vehicles	2,548,017	-	193,555	(101,335)	2,640,237
Office furnishings	199,817	-	49,853	-	249,670
Machinery and equipment	148,308	-	32,093	-	180,401
Subtotal	3,694,836	1,138,966	1,641,370	(101,335)	6,373,837
Accumulated depreciation:					
Buildings and improvements	416,500	-	67,069	-	483,569
Vehicles	1,128,071	-	192,402	(100,697)	1,219,776
Office furnishings	116,696	-	17,295	-	133,991
Machinery and equipment	37,006	-	24,923	-	61,929
Subtotal	1,698,273	-	301,689	(100,697)	1,899,265
Net capital assets being depreciated	1,996,563	1,138,966	1,339,681	(638)	4,474,572
Net capital assets	\$ 4,319,046	\$ -	\$ 1,369,816	\$ (638)	\$ 5,688,224

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 6 - Capital Assets (Continued)

	Balance January 1, 2006	Reclasses	Additions	Disposals and Adjustments	Balance December 31, 2006
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 1,186,121	\$ (1,162,011)	\$ 14,840	\$ (38,950)	\$ -
Capital assets being depreciated:					
Utility system:					
Water and sewage distribution systems	39,788,592	1,162,011	42,675	-	40,993,278
Connections	624,096	-	78,686	-	702,782
Buildings and building improvements	81,006	-	-	-	81,006
Vehicles	176,873	-	-	-	176,873
Machinery and equipment	362,626	-	296,296	-	658,922
Office furnishings	11,740	-	-	-	11,740
Subtotal	41,044,933	1,162,011	417,657	-	42,624,601
Accumulated depreciation:					
Utility system:					
Water and sewer distribution systems	9,760,302	-	540,090	-	10,300,392
Connections	143,217	-	11,451	-	154,668
Buildings and building improvements	59,382	-	2,472	-	61,854
Vehicles	96,899	-	14,705	-	111,604
Machinery and equipment	215,271	-	34,727	-	249,998
Office furnishings	11,740	-	-	-	11,740
Subtotal	10,286,811	-	603,445	-	10,890,256
Net capital assets being depreciated	30,758,122	1,162,011	(185,788)	-	31,734,345
Net capital assets	<u>\$ 31,944,243</u>	<u>\$ -</u>	<u>\$ (170,948)</u>	<u>\$ (38,950)</u>	<u>\$ 31,734,345</u>
	Balance January 1, 2006	Reclasses	Additions	Disposals and Adjustments	Balance December 31, 2006
Component Units					
Capital assets not being depreciated -					
Land	\$ 538,937	\$ 242,913	\$ -	\$ (149,569)	\$ 632,281
Capital assets being depreciated -					
Buildings and building improvements	1,348,983	(242,913)	-	(385,070)	721,000
Accumulated depreciation -					
Buildings and building improvements	27,969	-	23,111	(22,240)	28,840
Net capital assets being depreciated	1,321,014	(242,913)	(23,111)	(362,830)	692,160
Net capital assets	<u>\$ 1,859,951</u>	<u>\$ -</u>	<u>\$ (23,111)</u>	<u>\$ (512,399)</u>	<u>\$ 1,324,441</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 87,032
Public safety	199,534
Public works	2,316
Community and economic development	<u>12,807</u>

Total governmental activities	<u>\$ 301,689</u>
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Business-type activities - Water and sewer	<u>\$ 603,445</u>
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Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Revenue bonds:						
State revenue-sharing bonds - Series 1998A:						
Original issue: \$255,000	4.35%-					
Maturing through 2018	5.2%	\$ 185,000	\$ -	\$ (10,000)	\$ 175,000	\$ 10,000
Fire equipment bonds - Series 1998A:						
Original issue: \$920,000	4.35%-					
Maturing through 2018	5.2%	690,000	-	(40,000)	650,000	40,000
Installment purchase agreements:						
Fire equipment:						
Original issue: \$295,000						
Maturing through 2008	5.23%	187,219	-	(19,168)	168,051	21,561
Police cars:						
Original issue: \$59,049						
Maturing through 2006	5.10%	19,667	-	(19,667)	-	-
Police car:						
Original issue: \$20,601						
Maturing through 2007	5.80%	13,349	-	(6,487)	6,862	6,862
Police car:						
Original issue: \$25,579						
Maturing through 2008	5.80%	-	25,759	(9,157)	16,602	8,028
Copier:						
Original issue: \$7,056						
Maturing through 2008	5.80%	-	7,055	(196)	6,859	2,352
Subtotal		1,095,235	32,814	(104,675)	1,023,374	88,803
Compensated absences		418,756	6,005	-	424,761	267,599
Total governmental activities		<u>\$ 1,513,991</u>	<u>\$ 38,819</u>	<u>\$ (104,675)</u>	<u>\$ 1,448,135</u>	<u>\$ 356,402</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds - South Huron Valley						
Utility Authority Bonds:						
1998 Series Bonds:						
Original issue: \$1,188,704						
Maturing through 2011	2.00%	\$ 586,984	\$ -	\$ (92,714)	\$ 494,270	\$ 95,170
2004 Sewer System Plant Expansion Bonds:						
Original issue: \$2,227,183						
Maturing through 2026	2.00%	2,227,183	-	-	2,227,183	90,585
Sewer System Plant Expansion Bonds:						
Original issue: \$3,995,710						
Maturing through 2020	2.25%	3,160,988	-	(177,153)	2,983,835	183,159
Wayne County Contracts:						
Flat Rock System Bonds:						
Original issue: \$1,350,000						
Maturing through 2007	5.70%	80,818	-	(40,409)	40,409	40,409
Subtotal		6,055,973	-	(310,276)	5,745,697	409,323
Compensated absences		64,376	3,420	-	67,796	42,712
Total business-type activities		<u>\$ 6,120,349</u>	<u>\$ 3,420</u>	<u>\$ (310,276)</u>	<u>\$ 5,813,493</u>	<u>\$ 452,035</u>
Component Units - Local Development						
Finance Authority						
Installment purchase agreement:						
Original issue: \$570,000						
Maturing through 2009	3.69%	\$ 455,850	\$ -	\$ (107,838)	\$ 348,012	\$ 111,822

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to service all debt outstanding (excluding compensated absences), including both principal and interest, as of December 31, 2006 are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 88,804	\$ 51,267	\$ 140,071	\$ 409,323	\$ 123,435	\$ 532,758	\$ 111,822	\$ 12,857	\$ 124,679
2008	212,415	46,947	259,362	376,468	114,303	490,771	115,953	8,726	124,679
2009	57,156	36,530	93,686	384,478	106,145	490,623	120,237	4,442	124,679
2010	60,000	33,945	93,945	393,240	97,814	491,054	-	-	-
2011	65,000	31,065	96,065	400,794	89,308	490,102	-	-	-
2012-2016	365,000	101,398	466,398	1,596,570	339,135	1,935,705	-	-	-
2017-2021	174,999	13,780	188,779	1,529,480	154,330	1,683,810	-	-	-
2022-2026	-	-	-	655,344	34,322	689,666	-	-	-
Total	<u>\$ 1,023,374</u>	<u>\$ 314,932</u>	<u>\$ 1,338,306</u>	<u>\$ 5,745,697</u>	<u>\$ 1,058,792</u>	<u>\$ 6,804,489</u>	<u>\$ 348,012</u>	<u>\$ 26,025</u>	<u>\$ 374,037</u>

Total interest incurred related to governmental activities for the year approximated \$55,000. Total interest incurred related to business-type activities for the year approximated \$132,000.

Note 8 - Operating Lease

The Charter Township leases a building and land to be used as the Charter Township police station from the Local Development Finance Authority (LDFA). The lease expires March 31, 2015, but may be extended annually thereafter. Rent expense for the year ended December 31, 2006 totaled \$53,000. The Charter Township may cancel the lease at any time, subject to a penalty ranging from \$100,000 to \$300,000, during the first 120 months of the lease.

Annual lease payments to expiration are as follows:

Years Ending December 31	Amount
2007	\$ 54,765
2008	56,408
2009	58,100
2010	59,843
2011	61,639
2012-2015	<u>213,196</u>
Total	<u>\$ 503,951</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 9 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased commercial insurance for worker's compensation and medical claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") state risk pool for general and property claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Authority risk pool program operate as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the Authority risk pool, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 10 - Postemployment Benefits

The Charter Township contributes certain amounts for health care benefits for all full-time employees upon retirement, in accordance with labor contracts. Currently, there are eight retirees and the related expense was \$89,469 in 2006. The Charter Township's policy requires the Charter Township to pay 100 percent of health care benefits for eligible retirees. Expenditures for postemployment health care benefits will be recognized as the insurance premiums become due.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 11 - Defined Benefit Pension Plans

Plan Description - The Charter Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time police officers and dispatchers of the Charter Township. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiating with the Charter Township's competitive bargaining units and requires contributions from all employees that vary from year to year depending on negotiated benefits and funding levels. Under that bargaining agreement, the Charter Township is required to contribute 16.56 percent of gross wages for police staff, 10.35 percent for fire staff, and 17.27 percent of gross wages for all other eligible staff.

Annual Pension Costs - For the year ended December 31, 2006, the Charter Township's annual pension cost for the plan was equal to the Charter Township's actual contribution of \$507,003. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 11 - Defined Benefit Pension Plans (Continued)

Three-year trend information as of December 31, 2006 is as follows:

	2004	2005	2006
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 432,028	\$ 483,280	\$ 507,003
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	2003	2004	2005
Actuarial value of assets	\$ 4,160,876	\$ 4,854,255	\$ 5,684,368
Actuarial accrued liability (AAL)			
(entry age)	\$ 7,964,174	\$ 8,953,670	\$ 10,020,845
Unfunded AAL (UAAL)	\$ 3,803,298	\$ 4,099,415	\$ 4,336,477
Funded ratio	52.2%	54.2%	56.7%
Covered payroll	\$ 2,209,803	\$ 2,799,825	\$ 3,002,461
UAAL as a percentage of covered payroll	172.1%	146.4%	144.4%

Note 12 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all elected officials and certain other employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by state statute, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. The Charter Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

In accordance with these requirements, the Charter Township contributed \$16,967 and employees contributed \$8,484.

Note 13 - Joint Ventures

The Charter Township is a member of the 34th District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities. The Charter Township received net revenue of approximately \$272,000 from the Court, after the Court deducted operating costs and amounts required to be distributed to other agencies.

Charter Township of Huron

Notes to Financial Statements December 31, 2006

Note 13 - Joint Ventures (Continued)

Complete financial statements for the Court can be obtained from the administrative offices at 11131 South Wayne Road, Romulus, Michigan 48174. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Charter Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formally operated by Wayne County. During the year, the Charter Township contributed \$499,224 toward the operation of the system. In addition, debt payments of \$398,547, including principal and interest, were made to the Utility Authority. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Van Buren Twp., Michigan 48111. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 14 - Contingency

In 2004, the Charter Township offices were condemned due to unhealthy conditions. The Charter Township offices were relocated and the former building remains closed. The future of the building is unknown at this time and the Charter Township is unaware of any contingent liabilities associated with cleanup and demolition of the building or potential health concerns with current or former employees. The building has not been included in the capital asset figure as it has been deemed to have a zero net book value.

Required Supplemental Information

Charter Township of Huron

Required Supplemental Information December 31, 2006

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds except that operating transfers and the proceeds of long-term financing have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”

The annual budget is prepared by the Charter Township supervisor and adopted by the Charter Township board; subsequent amendments are approved by the Charter Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Charter Township board) for the General Fund, Fire Fund, and Police Fund, is presented as required supplementary information. The Police Fund’s budget projected a fund deficit of \$44,983, although the fund ended the year with net assets of \$29,683. The adoption of budgets resulting in fund deficits is a violation of Michigan law. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at the township hall.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Huron incurred expenditures that were significantly in excess of the amounts budgeted, as follows:

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
General Fund - Capital outlay	\$ -	\$ -	\$ 20,824	\$ (20,824)
Special Revenue Funds:				
Fire Fund - Personnel wages	447,000	530,500	570,433	(39,933)
Police Fund:				
Fringe benefits	597,200	605,500	616,223	(10,723)
Capital outlay	44,300	25,000	58,064	(33,064)

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Current property taxes	\$ 336,000	\$ 355,000	\$ 370,874	\$ 15,874
Penalties and interest on taxes	19,000	29,934	32,618	2,684
Property tax administration fees	160,000	194,000	194,879	879
Trailer fees	9,000	9,000	8,904	(96)
Cable franchise fees	110,000	119,000	119,935	935
Building licenses and permits	559,000	315,220	310,621	(4,599)
Other licenses and permits	2,000	2,000	2,780	780
Animal licenses	8,500	8,500	9,794	1,294
Federal grants	39,150	99,507	99,509	2
State grants	20,000	29,485	36,578	7,093
State revenue sharing	1,050,000	1,042,400	1,042,382	(18)
Zoning and planning commission fees	22,000	13,000	12,750	(250)
LDFA administration fees	20,000	20,000	20,000	-
Water department administration fees	140,000	140,000	140,000	-
Rubbish and recycling collection charges	580,000	615,500	615,761	261
Sales and service charges	11,462	31,462	31,639	177
Penalties and customer accounts	10,000	14,000	14,312	312
Interest income	20,000	130,000	176,324	46,324
Rent	30,000	34,500	35,100	600
Other	10,000	109,816	126,358	16,542
Transfer from other funds	102,000	134,000	72,933	(61,067)
Total revenue	3,258,112	3,446,324	3,474,051	27,727
Expenditures				
Charter Township board	61,400	61,400	53,749	7,651
Charter Township supervisor office	81,100	81,100	77,536	3,564
Charter Township supervisor PTAF	70,000	78,000	74,623	3,377
Elections	81,700	49,700	41,656	8,044
Accounting department	144,150	129,150	88,383	40,767
Auditing fees	40,000	37,000	30,330	6,670
Attorney fees	30,000	33,000	30,202	2,798
Budget department	46,000	46,000	23,920	22,080
Charter Township clerk	141,950	141,950	136,119	5,831
General office	193,200	180,700	163,260	17,440
Retirement Fund administration	2,000	2,000	1,001	999
Board of Review	6,500	6,500	4,869	1,631
Charter Township treasurer's office	215,200	209,200	199,756	9,444
Charter Township treasurer's PTAF	73,900	73,900	62,774	11,126
Data processing and computer development	48,500	41,500	27,088	14,412
Charter Township hall and grounds	144,300	149,300	151,505	(2,205)
Cemetery maintenance	4,000	4,000	1,208	2,792
Annual employee recognition	3,000	3,000	2,266	734
Unallocated	38,000	70,100	71,986	(1,886)
Communications	358,950	364,450	362,296	2,154

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures (Continued)				
Building department	\$ 624,400	\$ 478,550	\$ 454,298	\$ 24,252
Ordinance enforcement	80,700	108,700	104,231	4,469
Planning commission	52,100	31,100	19,638	11,462
Zoning board of appeals	7,400	5,900	2,190	3,710
Other planning/zoning	35,000	46,300	48,929	(2,629)
Cable communication commission	14,500	14,500	9,669	4,831
Animal control	49,600	43,400	39,743	3,657
Street lighting and beautification projects	75,000	59,400	39,795	19,605
Recycling	8,200	10,200	8,711	1,489
Rubbish collection	564,500	566,500	564,171	2,329
Dust control	10,500	10,500	8,000	2,500
Drains	69,060	83,860	79,586	4,274
Agency on aging	125,800	125,800	110,760	15,040
Recreation commission	57,000	44,500	33,606	10,894
Capital outlay	-	-	20,824	(20,824)
Historical commission	5,700	15,436	16,720	(1,284)
Insurance and bonds	51,500	59,500	47,036	12,464
Transfers to other funds	133,000	345,290	262,922	82,368
Total expenditures	<u>3,747,810</u>	<u>3,811,386</u>	<u>3,475,356</u>	<u>336,030</u>
Net Change in Fund Balance	(489,698)	(365,062)	(1,305)	363,757
Fund Balance - Beginning of year	<u>1,868,276</u>	<u>1,868,276</u>	<u>1,868,276</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,378,578</u>	<u>\$ 1,503,214</u>	<u>\$ 1,866,971</u>	<u>\$ 363,757</u>

Charter Township of Huron

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund

Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 835,800	\$ 835,800	\$ 892,674	\$ 56,874
Federal sources	-	-	13,775	13,775
Rescue service charges	150,000	150,000	164,560	14,560
Fire runs and protection	5,000	5,000	11,068	6,068
Interest income	10,000	10,000	89,581	79,581
Other revenues	8,300	8,300	13,939	5,639
Total revenue	1,009,100	1,009,100	1,185,597	176,497
Expenditures				
Personnel wages	530,500	530,500	570,433	(39,933)
Personnel fringe benefits	149,450	149,450	150,418	(968)
Supplies	71,000	71,000	41,160	29,840
Professional and contractual services	23,800	23,800	10,675	13,125
Communication	15,000	15,000	6,935	8,065
Transportation	42,500	42,500	35,387	7,113
Community programs and publications	5,500	5,500	377	5,123
Insurance and bonds	37,500	37,500	35,010	2,490
Public utilities	30,000	30,000	29,087	913
Repairs, maintenance, and rentals	25,000	25,000	13,731	11,269
Education, training, dues, and miscellaneous expenses	43,000	43,000	32,430	10,570
Capital outlay	220,000	220,000	154,722	65,278
Transfers to other funds	182,985	182,985	122,985	60,000
Total expenditures	1,376,235	1,376,235	1,203,350	172,885
Net Change in Fund Balance	(367,135)	(367,135)	(17,753)	349,382
Fund Balance - Beginning of year	1,675,331	1,675,331	1,675,331	-
Fund Balance - End of year	<u>\$ 1,308,196</u>	<u>\$ 1,308,196</u>	<u>\$ 1,657,578</u>	<u>\$ 349,382</u>

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Police Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 1,995,101	\$ 2,065,101	\$ 2,062,425	\$ (2,676)
State grants - DRANO	20,400	20,400	18,439	(1,961)
State grants - ATPA	50,000	50,000	60,926	10,926
State grants - Liquor control	4,300	4,300	4,520	220
State grants - Public safety	-	6,000	6,973	973
Community policing program	77,600	77,600	77,604	4
School liaison program	69,900	69,900	72,084	2,184
Fines and forfeits 34th District Court and OUIL	325,000	260,000	266,279	6,279
Michigan Justice Training Act 302	5,000	5,000	5,467	467
Other revenues, sales, interest, and miscellaneous	15,800	17,308	57,636	40,328
Donations - DARE and GREAT	10,000	10,000	10,994	994
Transfers in	-	269,690	221,208	(48,482)
Proceeds from long-term debt issue	-	-	32,814	32,814
Total revenue	2,573,101	2,855,299	2,897,369	42,070
Expenditures				
Salaries and wages	1,486,500	1,676,100	1,673,576	2,524
Fringe benefits	597,200	605,500	616,223	(10,723)
Supplies	72,000	71,700	66,977	4,723
Professional and contractual services	94,300	124,300	127,409	(3,109)
Communication	23,500	23,500	18,878	4,622
Transportation	38,000	31,000	28,008	2,992
Community programs and publications	17,800	26,292	27,066	(774)
Insurance and bonds	50,140	50,140	45,999	4,141
Public utilities	16,000	21,000	23,450	(2,450)
Repairs, maintenance, and rentals	59,670	65,670	61,301	4,369
Education, training, dues, and miscellaneous expenses	17,500	23,500	16,798	6,702
Capital outlay	44,300	25,000	58,064	(33,064)
Transfers to other funds	74,230	83,530	30,887	52,643
Total expenditures	2,591,140	2,827,232	2,794,636	32,596
Net Change in Fund Balance	(18,039)	28,067	102,733	74,666
Fund Balance (Deficit) - Beginning of year	(73,050)	(73,050)	(73,050)	-
Fund Balance (Deficit) - End of year	\$ (91,089)	\$ (44,983)	\$ 29,683	\$ 74,666

Other Supplemental Information

Charter Township of Huron

	Special Revenue Funds					
	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Assets						
Cash and cash equivalents	\$ 70,935	\$ 105,119	\$ 55,463	\$ -	\$ 502,220	\$ 81,296
Receivables - Net	-	-	-	-	-	275,691
Due from other funds	-	464	-	-	50,000	-
Total assets	<u>\$ 70,935</u>	<u>\$ 105,583</u>	<u>\$ 55,463</u>	<u>\$ -</u>	<u>\$ 552,220</u>	<u>\$ 356,987</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,688
Due to other funds	-	-	-	-	113,600	51,707
Deferred revenue	-	-	-	-	-	260,694
Total liabilities	-	-	-	-	113,600	362,089
Fund Balances (Deficit)						
Designated for subsequent year's budget	-	-	-	-	438,620	-
Undesignated	70,935	105,583	55,463	-	-	(5,102)
Total fund balance (deficit)	<u>70,935</u>	<u>105,583</u>	<u>55,463</u>	<u>-</u>	<u>438,620</u>	<u>(5,102)</u>
Total liabilities and fund balances (deficit)	<u>\$ 70,935</u>	<u>\$ 105,583</u>	<u>\$ 55,463</u>	<u>\$ -</u>	<u>\$ 552,220</u>	<u>\$ 356,987</u>

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2006**

Debt	
<u>Service Fund</u>	<u>Total</u>
\$ -	\$ 815,033
-	275,691
-	50,464
<u>\$ -</u>	<u>\$ 1,141,188</u>
\$ -	\$ 49,688
-	165,307
-	260,694
-	475,689
-	438,620
-	226,879
-	665,499
<u>\$ -</u>	<u>\$ 1,141,188</u>

Charter Township of Huron

	Special Revenue Funds					
	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Revenues						
Local sources	\$ -	\$ -	\$ -	\$ 52,933	\$ -	\$ -
Fines and forfeitures	-	-	23,850	-	-	-
Interest and other	2,581	21,866	4,757	-	22,154	19,632
Total revenues	2,581	21,866	28,607	52,933	22,154	19,632
Expenditures						
Public safety	-	-	-	-	-	-
Capital outlay	-	22,512	-	-	-	-
Retiree health care costs	-	-	-	-	89,469	-
Debt service	-	-	-	-	-	19,240
Total expenditures	-	22,512	-	-	89,469	19,240
Excess of Revenues Over (Under) Expenditures	2,581	(646)	28,607	52,933	(67,315)	392
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	90,987	-
Transfers out	-	-	-	(52,933)	(65,118)	-
Total other financing sources (uses)	-	-	-	(52,933)	25,869	-
Net Change in Fund Balances	2,581	(646)	28,607	-	(41,446)	392
Fund Balances (Deficit) -						
Beginning of year	68,354	106,229	26,856	-	480,066	(5,494)
Fund Balances (Deficit) -						
End of year	<u>\$ 70,935</u>	<u>\$ 105,583</u>	<u>\$ 55,463</u>	<u>\$ -</u>	<u>\$ 438,620</u>	<u>\$ (5,102)</u>

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2006**

Debt	
Service Fund	Total
\$ -	\$ 52,933
-	23,850
-	70,990
<u>-</u>	<u>-</u>
-	147,773
-	-
-	22,512
-	89,469
<u>140,073</u>	<u>159,313</u>
<u>140,073</u>	<u>271,294</u>
(140,073)	(123,521)
140,073	231,060
<u>-</u>	<u>(118,051)</u>
<u>140,073</u>	<u>113,009</u>
-	(10,512)
<u>-</u>	<u>676,011</u>
<u><u>\$ -</u></u>	<u><u>\$ 665,499</u></u>



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April 16, 2007

To the Supervisor and Township Board
Charter Township of Huron
22950 Huron River Drive
New Boston, Michigan 48164

Dear Supervisor and Board Members:

We recently completed the audit of the financial statements of the Charter Township of Huron for the year ended December 31, 2006. In addition to the audit report, we offer the following comments and suggestions for your consideration.

Significant Deficiencies

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112 referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a "significant deficiency." The new threshold for a "significant deficiency" is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the supervisor and the board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of the Charter Township of Huron as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and a deficiency that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following to be significant deficiencies in internal control:

- Overall, there has historically been a general lack of segregation of duties in the finance department. The financial administrative assistant has the ability to prepare checks, prepare bank reconciliations, and record manual journal entries in the general ledger. Due to the recent addition of another finance staff person, there are now opportunities to improve the segregation of duties in this department.
- The Township does not have a formal and centralized system to identify and record capital asset additions throughout the year. As a result, there were a number of capital assets purchased in 2004 and 2005 that were not identified and capitalized until the current year audit. The Township intends to implement a software system to record capital assets during 2007.
- The Township does not have a procedure in place for analyzing the collectibility or availability of rescue run receivables. Often the rescue run revenue is not fully collectible and is not available within 60 days of year end; therefore, it does not meet the "availability" criteria necessary to be reflected as current year revenue.

Material Weakness

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the lack of timely bank reconciliations to be a material weakness in internal control. While bank reconciliations were not always prepared in a timely manner during the year, all bank reconciliations were prepared by the time of the audit. The situation appears to have been the result of understaffing in the finance department and has since improved due to the recent staff addition.

In addition to the above, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

State-shared Revenue

The future of the State's revenue-sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January 2007 revenue estimating conference. According to economists, Michigan's budget is \$3 billion short of the revenue needed to cover basic services this year and next (state fiscal years 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- **Changing Michigan Business Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. The governor's fiscal year 2007/2008 budget recommends replacing a majority of the repealed single business tax revenue with a new Michigan Business Tax and the enactment of a new excise tax on service providers. The new Michigan Business Tax (MBT) is projected to generate approximately \$480 million less annually in revenue than currently generated by the single business tax but the new 2 percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of the fiscal 2006/2007 to help with State's budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Additionally, there are several practical short-term concerns including:

- If revenue sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue-sharing payment reductions could impact the Township's year ending December 31, 2007. However, the amounts may not be known until spring or summer, providing local governments with little or no time to react.
- Final decisions on revenue-sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.
- With the appropriation reductions to revenue sharing since 2001 (including approximately \$558 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

The table below details state-shared revenue for the Township since 2001 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>
2001	\$368,602	\$845,813	\$1,214,415
2002	\$322,036	\$903,278	\$1,225,314
2003	\$232,636	\$905,119	\$1,134,755
2004	\$145,516	\$905,295	\$1,050,811
2005	\$123,881	\$938,033	\$1,061,914
2006	\$109,603	\$943,209	\$1,052,812
2007 estimate	\$92,250	\$941,453	\$1,033,703
2008 estimate	\$92,250	\$941,453	\$1,033,703

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$92,250 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities of up to but not exceeding 2 percent of gross revenue (subject to limitations). The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive from new entrants, such as AT&T. AT&T will be allowed to deduct its Metro Act payment from the franchise fees that are paid to the Township.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2007	3.7%
2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended December 31, 2006, the Township's Headlee maximum property tax rate for its operating levy was .7781 mills even though the Charter Township would allow the Township to levy 1 mill for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated in several published studies and reports, due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop-up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue particularly given the significant gap that now exists between taxable value and state equalized value.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent, until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred to as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

Retiree Health Care Benefits and GASB No. 45

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local governmental units in recognizing the cost of retiree health care and other non-pension postemployment benefits. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of an employee, rather than at the time the health care premiums are paid.

The new pronouncement is effective for the year ending December 31, 2009. While the Township has accumulated some monies to fund its obligation for retiree health care in the Retirement Health Care Special Revenue Fund, the Township, like most all other governmental units, is not actuarially funding this liability like a pension system. These new standards allow the Township to fund the determined actuarial accrued liability for benefits provided and earned to date over 30 years. This new pronouncement could have a significant effect on the Township if it intends to actuarially fund this obligation. We recommend that the Township complete the actuarial valuation of this benefit obligation to fully understand the dollar implication to the Township's budget.

911 Surcharge Sunset Extended

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006).

Municipal Finance Act Revisions

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's December 31, 2006 year end and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

Fund Deficits

As of December 31, 2006, the Township's Road Improvement Fund has an accumulated deficit of approximately \$5,000. It should be eliminated in future years as the construction special assessment is collected. Additionally, the LDFA-Pinnacle Fund had an unchanged fund deficit of approximately \$27,000. This deficit should be eliminated when the authority begins capturing property taxes. The State will require deficit elimination plans to be filed.

Other Accounting Matters

- The LDFA component unit has an outstanding liability in the amount of \$144,000 for over-captured property taxes due to changes in the capture rules as a result of Proposal A. This amount has remained unchanged for the past several years and at one point the LDFA was considering asking the State for a repayment plan. During 2006, the LDFA sold a piece of property. As a result, depending on the LDFA's plans, there may be available resources to repay the State and extinguish the liability. The Township should consider contacting the State to resolve this issue.

- The Water Debt Service Millage expired in 2003. However, the Township has a residual amount of unspent funds in the Water Debt Service Fund related to the millage. These monies should be formally transferred to the proper funds and the existing bank accounts should be closed.

This communication is intended solely for the information and use of management and the board and is not intended to be and should not be used by anyone other than these specified parties.

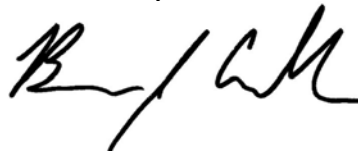
We would like to thank you and your staff again this year for their preparedness, cooperation, and assistance that they provided during the audit. If you have any questions, or would like to discuss these items further, please feel free to contact us at your convenience.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Brian Camiller